MOODY'S
INVESTORS SERVICE

CREDIT OPINION
21 January 2019

Update

Rate this Research

**RATINGS**

**SpareBank 1 BV**

| | |
|---|---|
| Domicile | Norway |
| Long Term CRR | A1 |
| Type | LT Counterparty Risk Rating - Fgn Curr |
| Outlook | Not Assigned |
| Long Term Debt | Not Assigned |
| Long Term Deposit | A2 |
| Type | LT Bank Deposits - Fgn Curr |
| Outlook | Stable |

*Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.*


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# SpareBank 1 BV

## Update to credit analysis

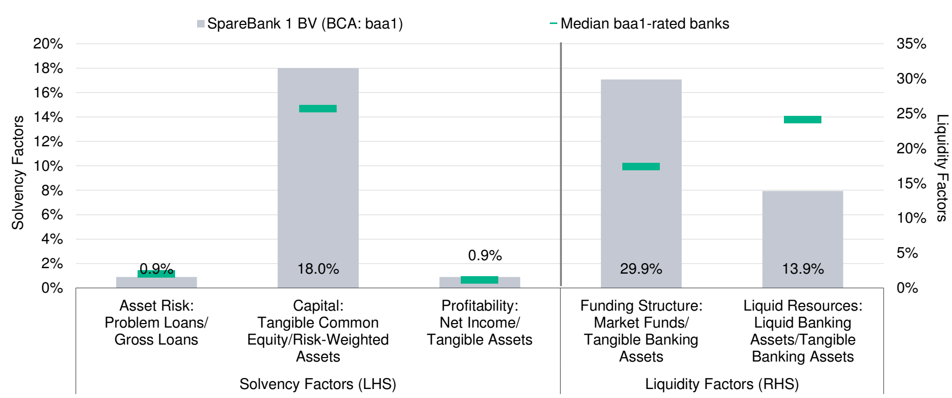
## Summary


We assign SpareBank 1 BV foreign and local currency deposit ratings of A2/P-1, and foreign and local currency Counterparty Risk Ratings (CRRs) of A1/P-1. The ratings are driven by the bank's baa1 Baseline Credit Assessment (BCA), as well as our assessment of potential loss severity for senior creditors and counterparties through our advanced Loss Given Failure (LGF) analysis.

SpareBank 1 BV's BCA of baa1 reflects the bank's sound asset quality and relatively stable retail operations and earnings, as well as robust capitalisation and a strong retail deposit base. These strengths are balanced against the bank's significant exposure to the real estate sector and concentration in the counties of Buskerud and Vestfold, which elevates its asset risk. The bank's BCA also takes into account its relatively high level of capital markets funding, a common feature among the large savings banks in Norway, although with a strong liquidity position.

The bank's A2 long term deposit ratings take into account our Loss Given Failure (LGF) analysis, which benefits from a large volume of deposits and substantial layers of subordination resulting in two notches of rating uplift from its Adjusted BCA.


Exhibit 1
**Rating Scorecard – Key financial ratios**




These represent our Bank methodology scorecard Methodology Scorecard ratios, whereby asset risk and profitability reflect the weaker of either the latest reported or average of last three year-end and latest reported ratios. Capital is the latest reported figure. Funding structure and liquid resources ratios reflect the latest year-end figures.
*Source: Moody's Financial Metrics*

## Credit strengths

» SpareBank 1 BV's BCA benefits from Norway's Very Strong - Macro Profile

» Capitalisation is sound, although capacity to raise new equity capital could prove challenging if needed

» Good profitability and diversified earnings, although increasing money market rates exert some pressure on lending margins

## Credit challenges

» Credit concentration and exposure to Commercial Real Estate elevate asset risk

» High reliance on confidence-sensitive market funding, which is partly mitigated by access to a resilient covered bond market and a sizeable deposit base

» Elevated risks in the Norwegian housing market and household sector, mitigated by conservative underwriting standards, high wealth levels and a very strong repayment culture

## Rating outlook

The ratings outlook on SpareBank 1 BV is stable as Moody's expects the bank to be able to offset the expected margin pressure with improving efficiency, and to be able to maintain its solid capital base and sound asset quality, over the next 12-18 months.

## Factors that could lead to an upgrade

Upward rating momentum could develop if SpareBank 1 BV demonstrates (1) sustained low level of problem loans in both its retail and corporate books, combined with reduced sector concentration to commercial real estate; (2) continued good access to capital markets and improved liquidity; and/or (3) stronger earnings generation without compromising its risk profile.

## Factors that could lead to a downgrade

Future downward rating pressure would emerge if (1) SpareBank 1 BV's problem loan ratio was to deteriorate materially; (2) financing conditions were to become more difficult; (3) its risk profile were to increase, for example as a result of increased exposure to more volatile sectors such as commercial real estate; and/or (4) macroeconomic environment were to deteriorate more than estimated, leading to adverse developments in the Norwegian real-estate market. Also a reduction in the rating uplift as a result of our LGF analysis could lead to downward rating pressure.

## Key indicators

Exhibit 2

**SpareBank 1 BV (Consolidated Financials) [1]**

| | 9-18[2] | 12-17[2] | 12-16[2] | 12-15[2] | 12-14[2] | CAGR/Avg.[3] |
|---|---|---|---|---|---|---|
| Total Assets (NOK billion) | 48 | 46 | 33 | 31 | 30 | 13.6[4] |
| Total Assets (EUR million) | 5,109 | 4,651 | 3,591 | 3,197 | 3,304 | 12.3[4] |
| Total Assets (USD million) | 5,934 | 5,585 | 3,788 | 3,473 | 3,998 | 11.1[4] |
| Tangible Common Equity (NOK billion) | 4.5 | 4.1 | 2.8 | 2.6 | 2.2 | 21.4[4] |
| Tangible Common Equity (EUR million) | 472 | 420 | 313 | 267 | 238 | 20.1[4] |
| Tangible Common Equity (USD million) | 548 | 504 | 330 | 290 | 287 | 18.8[4] |
| Problem Loans / Gross Loans (%) | 0.6 | 0.7 | 0.7 | 1.7 | 1.7 | 1.1[5] |
| Tangible Common Equity / Risk Weighted Assets (%) | 18.0 | 23.1 | 21.0 | 18.4 | 16.4 | 19.4[6] |
| Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%) | 5.6 | 6.5 | 6.1 | 16.0 | 18.8 | 10.6[5] |
| Net Interest Margin (%) | 1.4 | 1.6 | 1.4 | 1.4 | 1.4 | 1.5[5] |
| PPI / Average RWA (%) | 2.3 | 2.7 | 2.4 | 1.7 | 2.6 | 2.3[6] |
| Net Income / Tangible Assets (%) | 1.0 | 0.9 | 0.9 | 0.6 | 0.8 | 0.9[5] |
| Cost / Income Ratio (%) | 44.0 | 56.8 | 56.7 | 62.9 | 52.5 | 54.6[5] |

| | | | | | | |
|---|---|---|---|---|---|---|
| Market Funds / Tangible Banking Assets (%) | 31.2 | 29.9 | 29.9 | 31.7 | 31.6 | 30.9[5] |
| Liquid Banking Assets / Tangible Banking Assets (%) | 12.8 | 13.9 | 14.1 | 14.1 | 15.7 | 14.1[5] |
| Gross Loans / Due to Customers (%) | 190.9 | 184.1 | 184.8 | 190.8 | 179.9 | 186.1[5] |

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully-loaded or transitional phase-in; IFRS. [3] May include rounding differences due to scale of reported amounts. [4] Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5] Simple average of periods presented for the latest accounting regime. [6] Simple average of Basel III periods presented.
*Source: Moody's Financial Metrics*

## Profile

SpareBank 1 BV is a Norwegian local savings bank that provides retail and corporate financial products and services, from loans and deposit facilities to insurance, pension, payment, leasing, real estate brokerage and accounting services. As of 30 September 2018, the bank had total consolidated assets of NOK48 billion (including assets transferred to jointly own covered bond companies). SpareBank 1 BV is the 8th largest savings bank and 11th largest commercial bank in Norway. SpareBank 1 BV is the fifth largest bank in the SpareBank 1 Alliance, which constitutes of 14 independent regional savings banks. The purpose of the SpareBank 1 Alliance is to provide competitive financial services while exploiting economies of scale in terms of both low costs and high quality products and services. In addition, the alliance helps secure the member banks' value creation for the benefit of their own region and the banks' owners.

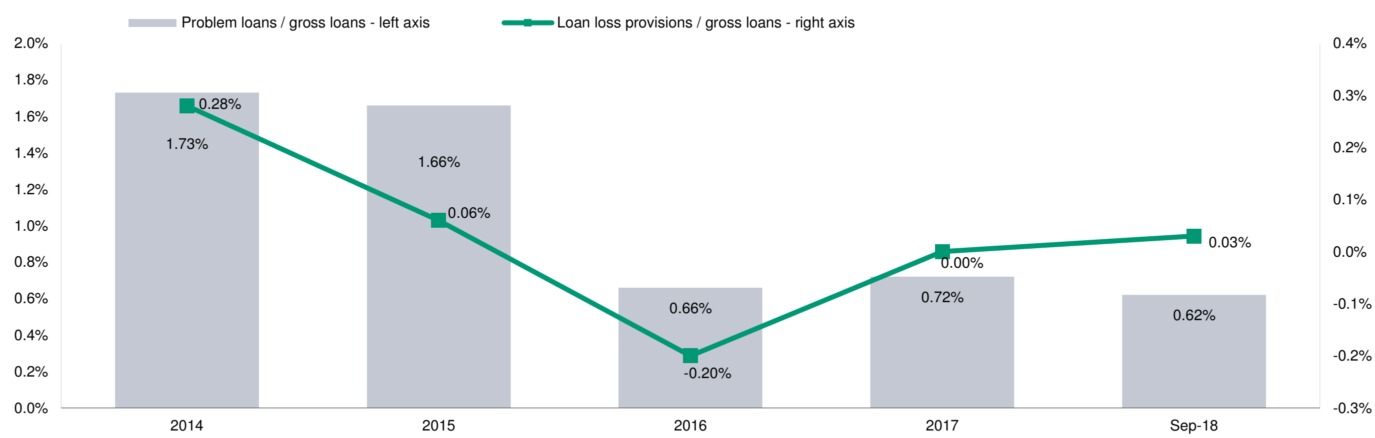
## Detailed credit considerations

### Credit concentration and exposure to Commercial Real Estate elevate asset risk

SpareBank 1 BV's problem loans ratio (Stage 3 loans according to IFRS 9 as a percentage of gross loans, including loans transferred to the covered bond companies) declined to 0.62% as of end-September 2018 compared to 1.73% as of end-December 2014 (see Exhibit 3). The strengthened credit quality of the bank's loan book reflects refined credit processes and an increasingly sophisticated risk management framework.

The sound credit quality of the bank translates into low credit costs with loan loss provisions amounting to 0.03% of gross loans as of end-September 2018. Credit costs peaked in 2014, reaching 0.28% of gross loans, which is still considered low in an international context and compares well with peers. However, SpareBank 1 BV's operations are geographically concentrated in the counties of Vestfold and Buskerud (over 90% of gross loans at end-December 2017), located in south-eastern Norway. The bank is deeply entrenched in the local community (around a quarter of the population are public servants), a common feature among the Norwegian savings banks, as the business model entails a social responsibility and commitment to the community.

Exhibit 3
**Sound asset quality of retail-dominated loan book translates into low loan losses**




From 1 January 2018 and onwards, problem loans are defined as IFRS 9 Stage 3 loans
*Source: Moody's Financial Metrics*

The healthy asset quality of the bank is supported by a loan book dominated by retail exposures, accounting for over 80% of gross loans (including loans transferred to the covered bond companies) at end-September 2018. The bank reported a twelve month total loan growth of 9.6% at end-September 2018, above the 12 month growth in the Norwegian general public's domestic loan debt of

5.7% at end-September 2018. The loan growth was mainly prompted by retail lending (10.3% growth), but it was also supported by a 6.8% growth in corporate/SME lending. Norwegian retail mortgages have historically entailed low risk and we expect the robust asset quality of this segment to endure in the coming 12-18 months. In addition, SpareBank 1 BV is exposed to the cyclical real estate and construction sector (approximately 16% of gross loans at end-September 2018), which further renders the bank vulnerable to changes in interest rates and real estate prices in the region.

The relative stability of housing prices in Vestfold and Buskerud in the past few years nevertheless mitigates the risk of asset quality deterioration and we expect Norwegian households to continue servicing their debt without difficulties despite a small interest rate increase. In contrast to Oslo, house prices in the bank's areas of operations have been below the Norwegian average and experienced a stable growth without peaks or significant corrections.

Accordingly, we assign SpareBank 1 BV an Asset Quality Score of baa1, which implies negative adjustments to better capture risks stemming from the bank's geographical and sector concentration.

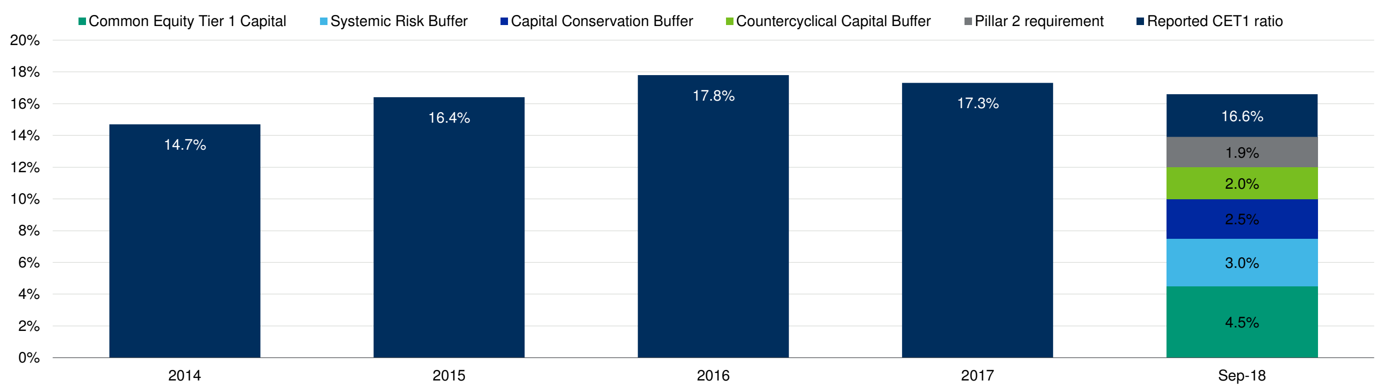
### Capitalisation is sound, although capacity to raise new equity capital could prove challenging if needed

SpareBank 1 BV's capitalisation is strong, as evidenced by its reported Common Equity Tier 1 (CET1) ratio of 16.6% and total capital ratio of 20.2% at end-September 2018, although its CET1 ratio was down from 17.5% in September 2017. The decline was mainly due to the consolidation of collaborative groups reflecting the 100% phase-in of CRD IV that came into force as of 1 January 2018, which increases the banking groups RWAs significantly. RWAs increased by close to 40% at end-September 2018 (group level, including consolidation of collaborative groups) compared to end-September 2017, while the increase for the parent bank in isolation was only 4% during the same period. We also note that the bank's ratio of tangible common equity over RWAs, under Moody's definition, decreased to 18% at end-September 2018 from 23.1% at end-2017.

The bank comfortably fulfills its regulatory CET1 capital requirement of 13.9%, including a pillar 2 requirement of 1.9% and the increased countercyclical buffer of 2%, with a sizeable headroom at end-September 2018. In addition, SpareBank 1 BV also met its CET1 internal target ratio of 15%, and we expect the bank to continue to do so with a sound margin going forward.

Exhibit 4

**SpareBank 1 BV's reported CET 1 ratio declined in Q3 2018 due to full implementation of CRD IV**




*Source: Issuer reports*

SpareBank 1 BV applies the standardised approach for calculating its regulatory capital requirements, meaning that its assets are assigned higher risk weights than under the Internal Ratings Based (IRB) approach. The low risk of the bank's loan book is however demonstrated in its unweighted capital metrics. The bank reported a leverage ratio of 8.1% as of end-September 2018, which is high in an international context and well above the regulatory minimum requirement of 5% in Norway.

The bank applied to the Norwegian Financial Service Authority (FSA) for approval to implement the IRB method in 2015, but the process was postponed due to the merger between SpareBank 1 BV and SpareBank 1 Nøtterøy-Tønsberg. Subsequently, the bank's application was rejected by the FSA in June 2018 due to the bank's very small corporate loan book that does not enable an accurate evaluation of the level of risk in the portfolio. The FSA has conveyed that it would not be able to assess whether changes in default rates are temporary or if these reflect an actual increase/decrease in the level of risk in the loan book.

Equity certificates are an important part of SpareBank 1 BV's capital base (equity certificate fraction of 58% relative to the bank's total equity in September 2018), a common feature among Norwegian savings banks. The balance of the bank's equity base consists of primary capital (no owners). Raising capital in case of need during difficult times could prove challenging for SpareBank 1 BV given its ownership structure in view of the potential dilution effect.

This limits the bank's flexibility in terms of dividend payments (target of 50% at least) and capital retention, and could make it difficult for the bank to access new capital. The two foundations, SpareBank 1 Stiftelsen BV and Sparebankstiftelsen Nøtterøy – Tønsberg, are the two largest stakeholders in the bank. The foundations are a long-term and financially strong owners with its bylaws stating that it shall maintain its interest through participation in equity certificate issues.

Based upon our assessment of the bank's capitalisation, we assign SpareBank 1 BV a Capital Score of aa3, with negative adjustment to incorporate the potential challenges in accessing new capital if need be.

### Good profitability and diversified earnings, although increasing money market rates exert some pressure on lending margins

SpareBank 1 BV has maintained a sound profitability in a competitive market place and the merger with SpareBank 1 Nøtterøy-Tønsberg only exerted limited pressure on the bank's profitability, as evidenced by the Moody's adjusted ratio of net income to tangible assets of around 1% in 2016-18.

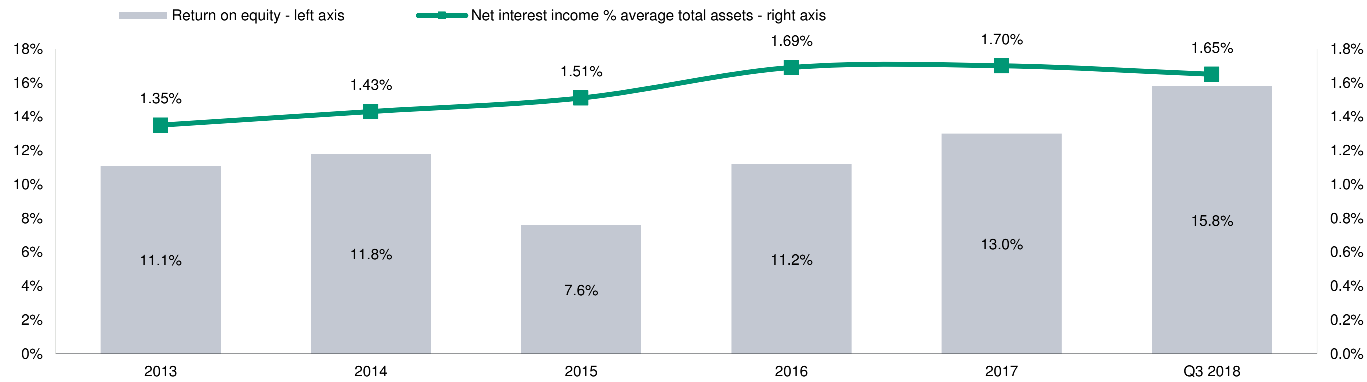
Stable retail banking operations supports SpareBank 1 BV's profitability, constituting around 35% of the bank's profit before losses in the nine months ending September 2018. Net interest income, including net interest income from the covered bond companies booked as commission income, is the most important source of income for SpareBank 1 BV. Net interest income constituted 60% of operating income (excluding gains from financial investments) in the nine months ending September 2018, a decline compared to 68% in both 2017 and 2016.

The lower contribution to the bank's earnings is largely explained by the bank's sale of property in the nine months ending 2018, which caused a spike in other operating income in the nine months ending September 2018 compared to the same period last year. Increasing money market rates have exerted some pressure on the bank's lending margins, which combined with the recently increased key policy rate led the bank to increase its lending and deposit rates. SpareBank 1 BV increased its rates by up to 25 basis points, effective as 22 October for corporate clients and 19 November for retail customers.

The bank's earnings are relatively diversified, although net interest income is the primary source of income. Net commission and other operating income reflects income from associated companies jointly owned within the SpareBank 1 Alliance and the bank's own subsidiaries. The wide range of products offered by the bank and its subsidiaries creates valuable opportunities for cross-selling to the acquired customers from SpareBank 1 Nøtterøy-Tønsberg and enables the bank to interact frequently with its customers.

The reported Return on Equity (ROE) of 15.8% in the nine months of 2018 reflects significant one off gains, but the bank generally exhibits sound profitability metrics in the last few years (see Exhibit 5).

Exhibit 5
**SpareBank 1 BV's ROE is mostly above 10%**




*Source: Issuer reports*

Competition is intense in the bank's area of operations, and it has a limited pricing power compared to the largest national players, which usually reprice their loan books before smaller banks do. Accordingly, we expect the bank's margin pressure to persist, although to be partly eased by the recently increased lending rates.

SpareBank 1 BV's reported cost to income ratio (excluding financial investments) of 37.7% in the nine months ending in September 2018 decreased from high 61.1% in the same period last year, although positively affected by significant one off gains in the denominator. The bank's cost base has been elevated in the past years, reporting a high cost to income ratio of 62% in 2017. However, as a member of the SpareBank 1 Alliance it benefits from economies of scale, and increased digitalisation will enable the bank to operate with a lighter cost base. In addition, we expect the bank's efficiency to improve as cost synergies following the merger can be fully realised in 2019.

### High reliance on confidence-sensitive market funding, which is partly mitigated by access to a resilient covered bond market and a sizeable deposit base

SpareBank 1 BV's funding profile is dominated by deposits and covered bonds, similar to other Norwegian savings banks. As of end-September 2018, customer deposits accounted for approximately 50% on the bank's non-equity funding (including covered bonds issued by the jointly owned covered bond companies). The deposit volume increased by 3% yea-on-year at end-September 2018, while the bulk of the bank's deposits is derived from the retail market, constituting around 60% of total deposits as of end-September 2018. This strengthens SpareBank 1 BV's funding profile as we consider retail deposits to be a more stable source of funding compared to corporate deposits.

The bank is also highly dependent on confidence-sensitive market funding to finance its operations since deposit growth is lagging lending growth (including Q3 2018 year-on-year loan growth). Our market funding ratio (market funds to tangible banking assets including covered bond loans) for the bank was a relatively high 31.2% as of end-September 2018. We view this as a weakness in the bank's funding profile, as we also do for most Norwegian banks, because market funding can become more expensive or/and restricted in times of market stress.

The majority of the banks market funding is in the form of covered bonds issued through covered bond companies jointly owned with other members of the SpareBank 1 Alliance (SpareBank 1 Boligkreditt for residential mortgages and SpareBank 1 Næringskreditt for commercial mortgages). At end-September 2018 the bank had transferred retail mortgages worth NOK11.7 billion and commercial real estate loans worth NOK98 million to these vehicles, constituting together around 30% of its gross loan book including the transferred loans.

While we view positively the diversification benefit of covered bond funding, its extensive use increases the amount of pledged assets unavailable for unsecured bondholders, including depositors in liquidation. As reflected in our methodology, we globally reflect the relative stability of covered bonds compared to unsecured market funding through a standard adjustment.

SpareBank 1 BV's sizeable liquid reserves, constituting 12.8% of the bank's tangible banking assets as of end-September 2018, partly mitigates risks associated with its high reliance on market funding. However, we note that this ratio understates the core liquidity of the bank, given that it does not take into account the liquid assets held by SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Accordingly, we incorporate a positive adjustment in the assigned Liquid Resources Score to reflect the additional source of liquidity stemming from the covered bond companies.

The main components of the bank's liquidity reserves are highly-rated covered bonds, sovereign- and municipality bonds. The bank's Liquid Coverage Ratio (LCR) of 157% as of end-September 2018 is well above the regulatory minimum requirement of 100% and we expect the bank to maintain a relatively conservative liquidity in order to curb any refinancing risks.

## Support and structural considerations

### Loss Given Failure

Norway will shortly implement the EU's Bank Recovery and Resolution Directive (effective as of 1 January 2019), which we consider to be an Operational Resolution Regime. We therefore apply our advanced LGF analysis, in which we assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in "junior" wholesale deposits, a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These are in line with our standard assumptions. We apply a standard assumption for European banks that 26% of deposits are junior.

For SpareBank 1 BV's long-term deposit ratings, we have considered the likely impact on loss-given-failure of the volume of deposits and the amount of debt subordinated to them. This has resulted in a Preliminary Rating Assessment of two notches above the Adjusted BCA, reflecting very low loss-given-failure.

### Government support

SpareBank 1 BV benefits from a well-established market position in the counties of Buskerud and Vestfold. Whilst the bank's market share in this region is significant, it is small in a national context. We also note that the close proximity of the bank's home region to Oslo means that a number of other Norwegian banks are present in the area. We therefore assume a low probability of government support for SpareBank 1 BV's deposits, CRA, and CRR ratings resulting in no rating uplift. Moreover, our government support assumptions are driven by the upcoming implementation of the EU's BRRD in Norway (effective as of 1 January 2019).

### Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than the likelihood of default and the expected financial loss suffered in the event of default and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (e.g., swaps), letters of credit, guarantees and liquidity facilities.

#### SpareBank 1 BV's CR Assessment is positioned at A1(cr)/Prime-1(cr)

SpareBank 1 BV's CR Assessment is positioned at A1(cr)/Prime-1(cr), three notches above the bank's Adjusted BCA of baa1, based on the substantial cushion against default provided to the senior obligations represented by the CRA by subordinated instrument. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CRA captures the probability of default on certain senior obligations, rather than expected loss, therefore we focus purely on subordination and take no account of the volume of the instrument class.

### Counterparty Risk Rating (CRR)

Moody's Counterparty Risk Ratings are opinions of the ability of entities to honour the uncollateralized portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRR liabilities typically relate to transactions with unrelated parties. Examples of CRR liabilities include the uncollateralized portion of payables arising from derivatives transactions and the uncollateralized portion of liabilities under sale and repurchase agreements. CRRs are not applicable to funding commitments or other obligations associated with covered bonds, letters of credit, guarantees, servicer and trustee obligations, and other similar obligations that arise from a bank performing its essential operating functions.

**SpareBank 1 BV's CRR is positioned at A1/Prime-1**

The CRRs are positioned three notches above the Adjusted BCA of baa1, reflecting the extremely low loss-given-failure from the high volume of instruments that are subordinated to CRR liabilities.

## About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

## Rating methodology and scorecard factors

Exhibit 6

**SpareBank 1 BV**

| **Macro Factors** | | |
|---|---|---|
| **Weighted Macro Profile** | **Very Strong -** | **100%** |

| **Factor** | **Historic Ratio** | **Initial Score** | **Expected Trend** | **Assigned Score** | **Key driver #1** | **Key driver #2** |
|---|---|---|---|---|---|---|
| Solvency | | | | | | |
| Asset Risk | | | | | | |
| Problem Loans / Gross Loans | 0.9% | aa2 | ↓ | baa1 | Sector concentration | Geographical concentration |
| Capital | | | | | | |
| TCE / RWA | 18.0% | aa1 | ←→ | aa3 | Access to capital | |
| Profitability | | | | | | |
| Net Income / Tangible Assets | 0.9% | baa1 | ←→ | baa2 | Expected trend | |
| Combined Solvency Score | | aa3 | | a3 | | |
| Liquidity | | | | | | |
| Funding Structure | | | | | | |
| Market Funds / Tangible Banking Assets | 29.9% | baa2 | ←→ | baa3 | Expected trend | |
| Liquid Resources | | | | | | |
| Liquid Banking Assets / Tangible Banking Assets | 13.9% | baa3 | ←→ | baa2 | Stock of liquid assets | Quality of liquid assets |
| Combined Liquidity Score | | baa2 | | baa3 | | |
| Financial Profile | | | | baa1 | | |
| Business Diversification | | | | 0 | | |
| Opacity and Complexity | | | | 0 | | |
| Corporate Behavior | | | | 0 | | |
| Total Qualitative Adjustments | | | | 0 | | |
| Sovereign or Affiliate constraint: | | | | Aaa | | |
| Scorecard Calculated BCA range | | | | a3-baa2 | | |
| Assigned BCA | | | | baa1 | | |
| Affiliate Support notching | | | | 0 | | |
| Adjusted BCA | | | | baa1 | | |

| **Balance Sheet** | **in-scope (NOK million)** | **% in-scope** | **at-failure (NOK million)** | **% at-failure** |
|---|---|---|---|---|
| Other liabilities | 15,367 | 31.8% | 17,590 | 36.4% |
| Deposits | 21,793 | 45.1% | 19,570 | 40.5% |
| Preferred deposits | 16,127 | 33.4% | 15,321 | 31.7% |
| Junior Deposits | 5,666 | 11.7% | 4,250 | 8.8% |
| Senior unsecured bank debt | 9,001 | 18.6% | 9,001 | 18.6% |
| Dated subordinated bank debt | 440 | 0.9% | 440 | 0.9% |
| Preference shares (bank) | 250 | 0.5% | 250 | 0.5% |
| Equity | 1,449 | 3.0% | 1,449 | 3.0% |
| Total Tangible Banking Assets | 48,300 | 100% | 48,300 | 100% |

| Debt class | De Jure waterfall | | De Facto waterfall | | Notching | | LGF Notching Guidance vs. Adjusted BCA | Assigned LGF notching | Additional notching | Preliminary Rating Assessment |
|---|---|---|---|---|---|---|---|---|---|---|
| | Instrument volume + subordination | Sub-ordination | Instrument volume + subordination | Sub-ordination | De Jure | De Facto | | | | |
| Counterparty Risk Rating | 31.9% | 31.9% | 31.9% | 31.9% | 3 | 3 | 3 | 3 | 0 | a1 |
| Counterparty Risk Assessment | 31.9% | 31.9% | 31.9% | 31.9% | 3 | 3 | 3 | 3 | 0 | a1 (cr) |
| Deposits | 31.9% | 4.4% | 31.9% | 23.1% | 2 | 3 | 2 | 2 | 0 | a2 |

| Instrument class | Loss Given Failure notching | Additional Notching | Preliminary Rating Assessment | Government Support notching | Local Currency Rating | Foreign Currency Rating |
|---|---|---|---|---|---|---|
| Counterparty Risk Rating | 3 | 0 | a1 | 0 | A1 | A1 |
| Counterparty Risk Assessment | 3 | 0 | a1 (cr) | 0 | A1 (cr) | -- |
| Deposits | 2 | 0 | a2 | 0 | A2 | A2 |

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
*Source: Moody's Financial Metrics*

## Ratings

Exhibit 7

| Category | Moody's Rating |
|---|---|
| **SPAREBANK 1 BV** | |
| Outlook | Stable |
| Counterparty Risk Rating | A1/P-1 |
| Bank Deposits | A2/P-1 |
| Baseline Credit Assessment | baa1 |
| Adjusted Baseline Credit Assessment | baa1 |
| Counterparty Risk Assessment | A1(cr)/P-1(cr) |
| Issuer Rating | A2 |

*Source: Moody's Investors Service*

REPORT NUMBER 1153219

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## CLIENT SERVICES

| | |
|---|---|
| Americas | 1-212-553-1653 |
| Asia Pacific | 852-3551-3077 |
| Japan | 81-3-5408-4100 |
| EMEA | 44-20-7772-5454 |

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